

## **5-1400.00 CONSTRUCTION WORK IN PROGRESS**

### **5-1410.00 INTRODUCTION**

#### **5-1410.10 DEFINITIONS**

**"Construction Work in Progress"** is the cost of construction work undertaken but not yet completed. The Construction Work in Progress account in the General Fixed Asset Account Group is a temporary capitalization of labor, materials, equipment, and overhead costs of a construction project which is not yet completed. Upon completion, capitalized costs are transferred to a fixed asset classification (e.g., buildings).

**"Capitalize"** means to record an item as a fixed asset on the district's accounting records and inventory records.

**"General Fixed Asset Account Group (GFAAG)"** is the self balancing account group used to record the general fixed assets of the district. Capital construction projects and facilities acquired by the district must be recorded in the GFAAG.

#### **5-1410.20 BASIC ACCOUNTING PROCEDURES**

The acquisition or construction of major capital facilities should be recorded as appropriate in the Building Fund (60), Building Reserve Fund (61), or Mining Impact Fund (62). These funds are called **Capital Projects Funds**.

Capital Projects Funds are used when projects are financed by bond issues, special tax levies, federal funds, or major private donations. The receipt of bond proceeds or federal moneys to finance construction or acquisition of capital assets is normally recorded in the Building Fund (60). A separate control list should be kept for each project.

Construction expenditures are recorded as incurred in the Building Fund. The entire amount of a contract for construction may be encumbered at fiscal year-end if the contract is effective as of June 30 (See "ENCUMBRANCES," in section 5-0400 of this manual). At fiscal year-end, the expenditures recorded for the year are recorded in the General Fixed Asset Account Group (98) using balance sheet account 351 Construction Work in Progress. The Construction Work in Progress account is a holding account which accumulates the costs of construction completed at the end of each fiscal year.

Upon completion of the project, the accumulated costs recorded as construction work in progress are removed from that asset category and reclassified as site, site improvements, buildings and improvements, and machinery and equipment.

## **5-1420.00      RECORDING CONSTRUCTION PROJECTS**

### **To record the receipt of proceeds of a bond issue for construction:**

Building Fund (60)

Debit: 101	Cash	\$900,000
------------	------	-----------

Credit: 402	Revenue	\$900,000
-------------	---------	-----------

Revenue Subsidiary Ledger

X60-5110	Other Financing Sources-Sale of Bonds	\$900,000
----------	---------------------------------------	-----------

(To record revenue for support of a construction project. Any premiums or accrued interest received on the sale of bonds should be deposited in the Debt Service Fund.)

### **To record the encumbrance of the budget of the Building Fund:** (If the district uses encumbrance accounting throughout the year)

Building Fund (60)

Debit: 803	Encumbrances	\$900,000
------------	--------------	-----------

Credit: 953	Reserve for Encumbrances	\$900,000
-------------	--------------------------	-----------

(To encumber the amount of a construction contract on a building. Encumbrance is OPTIONAL.)

**If the contract was encumbered in the current year, to record a construction expenditure:** For example, assume the costs incurred for construction materials was \$5,000. A retainage deposit of \$50,000 is paid to the contractor.

Building Fund (60)

Debit: 802	Expenditures	\$55,000
------------	--------------	----------

Credit: 620 or 101	Warrants Payable or Cash	\$55,000
--------------------	--------------------------	----------

Expenditures Subsidiary Ledger

X60-100-4600-720	Buildings and Building Improvements	\$55,000
------------------	-------------------------------------	----------

Debit: 953	Reserve for Encumbrances	\$55,000
------------	--------------------------	----------

Credit: 803	Encumbrances	\$55,000
-------------	--------------	----------

(To record partial payment on an encumbered contract.)

**If the contract was encumbered in a prior year, to record a construction expenditure:** For example, assume the district recorded an encumbrance for the entire contract in the prior year. The encumbrance was charged to the budget and shown as an expenditure in that year. This entry reduces the reserve for encumbrances by the amount of the payment.

Building Fund (60)

Debit: 953	Reserve for Encumbrances	\$6,700
------------	--------------------------	---------

Credit: 620 or 101	Warrants Payable or Cash	\$6,700
--------------------	--------------------------	---------

(To reduce the reserve by the payment which was shown as an expenditure when encumbered in the prior year.)

## 5-1420.00 RECORDING CONSTRUCTION PROJECTS (Cont'd)

### **If the contract was not encumbered, to record a payment:**

Building Fund (60)		
Debit: 802	Expenditures	\$55,000
Credit: 620 or 101	Warrants Payable or Cash	\$55,000
Expenditures Subsidiary Ledger		
X60-100-4XXX-720	Buildings and Building Improvements	\$55,000

For fixed assets acquired by the capital projects funds, the asset should be capitalized in the General Fixed Assets Account Group (GFAAG). The capitalization in the GFAAG is usually made at the end of the fiscal year or upon completion of a construction project.

### **If the project is not complete at fiscal year end, to record the capitalization of the year's construction costs as an asset:** For example, assume the expenditures recorded by the end of year 1 totalled \$61,700.

GFAAG (98)		
Debit: 351	Construction Work in Progress	\$61,700
Credit: 915	Investments in General Fixed Assets - Bond Issues and Building Reserve Levies	\$61,700

(To record the year's costs of construction for a project not completed at fiscal year-end as a temporary asset in the GFAAG.)

The Construction Work in Progress account is a holding account which accumulates the costs of construction completed at the end of each fiscal year. When the construction is complete, the accumulated contract amount in the GFAAG Construction Work in Progress account is moved to a specific asset category (Land, Buildings and Other Improvements, or Machinery and Equipment).

### **When the project is completed at a later date, to record the transfer of costs from the Construction Work in Progress account to the various asset accounts:** Assume the total cost of the project was \$890,000.

GFAAG (98)		
Debit: 331	Buildings and Improvements	\$890,000
Credit: 351	Construction Work in Progress	\$890,000

(To move the accumulated costs of a completed construction project from the construction in progress account to the appropriate fixed asset account in the GFAAG.)

Notice that the assets acquired with Capital Projects Fund resources are recorded in the GFAAG, NOT in the Capital Projects Fund.

## 5-1420.00      RECORDING CONSTRUCTION PROJECTS (Cont'd)

**To record the transfer of the remaining proceeds of the bond issue after the project's completion:** (20-9-435(3), MCA)

Building Fund (60)

Debit: 971	Residual Equity Transfers	\$10,000
Credit: 101	Cash	\$10,000

(To record the transfer of remaining bond proceeds to the debt service fund.)

Debt Service Fund (50)

Debit: 101	Cash	\$10,000
Credit: 971	Residual Equity Transfers	\$10,000

(To record the transfer-in of the bond proceeds remaining after the building project was completed.)

The district should send written notice to the county treasurer to transfer the money to the debt service fund.

**The transfer shown in this entry should not be done using a warrant between funds.**

## **5-1600.00 LIST OF RECEIVABLES AND PAYABLES**

This section lists the most common receivables and payables a district may record. The list is not meant to be a complete list but rather is a suggested checklist to use in reviewing for possible adjustments needed at fiscal year-end.

At fiscal year-end, the district must record any of the following receivables or payables (liabilities) which are material (i.e., significant in amount, usually greater than or equal to \$100):

### **RECEIVABLES**

Taxes Receivable

Real

Personal

Protested

Federal and State Grant Reimbursements Receivable

School Foods Federal and State Reimbursement

Interest Receivable on Investments

Tuition Receivable

Drivers' Education Program Receivable

Transportation Reimbursement Receivable

Other Payments Receivable from Governmental Units Including OPI, Other School Districts, the County, or Other State Agencies, etc.

### **PAYABLES**

Salaries and Benefits Payable

Workers' Compensation Premiums and Payroll Taxes

Unpaid Invoices for Goods and Services Received by June 30

Supplies

June Phone Charges

June Utilities

Equipment

Cleaning and Repair Services

Credit Card Charges

Tuition Due to Other School Districts

Refunds Due to Grantors

Other Payments Owed to Other Governmental Units Including OPI, Other School Districts, the County, or Other State Agencies, etc.

**(PAGE LEFT INTENTIONALLY BLANK)**

## **5-1700.00      WORKERS' COMPENSATION PREMIUM ACCRUAL**

Districts are required to provide workers' compensation coverage for employees. Montana school districts normally obtain coverage from: (1) The Workers' Compensation Division of the Montana Department of Labor and Industry; or (2) Montana School Boards Association (MSBA) group compensation plan.

Workers' Compensation premiums and payroll taxes applicable to the current year's actual payout of salaries and benefits should be recorded as expenditures. If the district owes premiums and/or payroll taxes on June 30 on wages charged to the current year, the amount of premiums and taxes owed must be accrued. If the amount of premiums and taxes owed is less than \$100, the district may choose not to record the accrual since it would not materially misstate the financial statements or Trustees' Financial Summary. If the district determines the amount due and pays by June 30, no accrual is needed. The amount to accrue for premiums due for the half-year ended June 30 and payroll taxes for the quarter ended June 30 may be determined by calling the Workers' Compensation Division, using worksheets provided by MSBA or Workers' Compensation Division, or by using the worksheet in this section. MSBA' premium calculations may vary from those illustrated on this worksheet because prepayment is normally required in the plan.

Montana school districts have two classes of employees on which workers' compensation premiums are charged. The classes of employees are College/School: Professional & Clerical (Class 8868) and All Other Employees & Drivers (Class 9101).

The modification rate reported to each district by the Workers' Compensation Division at the beginning of the year is unique to the district and changes yearly.

Each year, volume discount rates which apply to all school districts are set. Discount rates are generally applied to levels of standard premiums paid.

Regardless of the carrier used for insurance coverage, the district also must pay a quarterly payroll tax to the Workers' Compensation Division on the gross wages paid to both classes of employees.

The amount to accrue as an expenditure at June 30 includes the amount owed for the workers' compensation premiums plus the payroll tax.

The following example illustrates the use of the Workers' Compensation Accrual Worksheet.

### **5-1710.00      EXAMPLE OF WORKERS' COMPENSATION ACCRUAL WORKSHEET**

See section 5-1740.00, "WORKERS' COMPENSATION ACCRUAL WORKSHEET."

For example, assume the gross wages paid for the first class of employees, College/School: Professional & Clerical (Class 8868), were \$25,000 for the half-year ended June 30. Gross wages paid to the other class of employees, All Other Employees & Drivers (Class 9101), were \$50,000. For the quarter ended June 30, the gross salaries and benefits in both categories totalled \$75,000.

The modification rate reported to each district by the Workers' Compensation Division at the beginning of the year is unique to the district and changes yearly. Assume the rate for this example is .90.

Each year, volume discount rates which apply to all school districts are set. Assume for this example volume discounts reduce the premium at June 30 for all school districts as follows:

**5-1710.00      EXAMPLE OF WORKERS' COMPENSATION ACCRUAL WORKSHEET (Cont'd)**

	Standard Premium Dollar Limits	Discount Rate
Level One	\$ 0 - \$ 1,000	0.0%
Level Two	\$ 1,000 - \$ 5,000	3.0%
Level Three	\$ 5,000 - \$100,000	6.0%
Level Four	\$ 100,000 - And Over	8.5%

The rates of premium applied to payroll are set yearly. Assume for this example the rates are .24 for class 8868 and 4.01 for class 9101. Assume the standard premium paid for the six-month period ended last December 31 was \$900.

The district also must pay a quarterly payroll tax on the gross wages paid to both classes of employees. Assume the payroll tax rate is .003, or 0.3%.

The **Quarterly Payroll Tax would be calculated as follows:**

Gross Payroll	X .3%	=	Total
\$75,000	X .003	=	\$225

The example above is illustrated on the following worksheet.



**5-1710.00 EXAMPLE OF WORKERS' COMPENSATION ACCRUAL WORKSHEET - Cont'd)**

**WORKERS' COMPENSATION PREMIUM ACCRUAL WORKSHEET**

**Fund / Fund Number General Fund .  
worksheet for the Fiscal Year Enede June 30, 19 99**

<b>Class Code (a)</b>	<b>Gorss Payroll (b)</b>	<b>Divided by 100 ((b)/100) (c)</b>	<b>Rate for Class (d)</b>	<b>Total (e)</b>
(1) 8868	\$ 25,000	\$250	.24	\$60.00
(2) 9101	\$ 50,000	\$500	4.01	+ \$2,005.00
(3) Manual Premium - semiannual (1e plus 2e)				\$2,065.00
(4) Experience Modification Factor				X .90
(5) Standard Premium - semiannual (3e times 4e)				\$1,858.50
(6) Semiannual Standard Premium - July through December (from first semiannual report to Workers' Comp. Division)			\$900.00	
(7) Semiannual Standard premium - January through June (from 5e)			+ \$1,858.50	
(8) Total Standard Premium for School Year (6d plus 7d)			\$2,758.50	
Discounts on Total Standard Premium (see example)				
(9) Level 1: Dollar Limit times Rate (\$1,000 X 0%)	- 0 -			
(10) Level 2: Dollar Limit times Rate (next \$4,000 X 3%, or \$1,758.50 X 3%)	+ \$52.76			
(11) Level 3: Dollar Limit times Rate	+			
(12) Level 4: Dollar Limit times Rate	+			
(13) TOTAL DISCOUNT (sum of 9b through 12b)	\$52.76			
(14) Less Discounts Received in Previous Premium Payment	- 0 -			
(15) Discount this Period (13b less 14b)				- \$52.76
(16) Payment Due - Semiannual Adjusted (5e less 15e)				\$1,805.74

The total accrual amount is \$2,030.74 (\$1,805.74 premium + 225 payroll tax).

**5-1710.00 EXAMPLE OF WORKERS' COMPENSATION ACCRUAL WORKSHEET - Cont'd)**
**WORKERS' COMPENSATION PREMIUM ACCRUAL WORKSHEET**
**Fund / Fund Number \_\_\_\_\_**
**Worksheet for the Fiscal Year Enede June 30, 20 \_\_\_\_\_**

Class Code (a)	Gorss Payroll (b)	Divided by 100 ((b)/100) (c)	Rate for Class (d)	Total (e)
(1) 8868				
(2) 9101				+
(3) Manual Premium - semiannual (1e plus 2e)				
(4) Experience Modification Factor				X
(5) Standard Premium - semiannual (3e times 4e)				
(6) Semiannual Standard Premium - July through December (from first semiannual report to Workers' Comp. Division)				
(7) Semiannual Standard premium - January through June (from 5e)			+	
(8) Total Standard Premium for School Year (6d plus 7d)				
Discounts on Total Standard Premium (see example)				
(9) Level 1: Dollar Limit times Rate (\$1,000 X 0%)	+			
(10) Level 2: Dollar Limit times Rate (next \$4,000 X 3%, or \$1,758.50 X 3%)	+			
(11) Level 3: Dollar Limit times Rate	+			
(12) Level 4: Dollar Limit times Rate	+			
(13) TOTAL DISCOUNT (sum of 9b through 12b)				
(14) Less Discounts Received in Previous Premium Payment	-			
(15) Discount this Period (13b less 14b)				-
(16) Payment Due - Semiannual Adjusted (5e less 15e)				

See instructions and example in section 5-1700 of the School Accounting Manual.

## **5-1720.00      RECORDING THE WORKERS' COMPENSATION ACCRUAL**

### **To record the Workers' Compensation Premium liability at fiscal year-end:**

Debit: 802	Expenditures	\$2030.74
Credit: 661	Salaries and Benefits Payable	\$2030.74
Expenditures Subsidiary Ledger		
XXX-XXX-XXXX-250	Workers' Compensation	\$2030.74

(To record the Workers' Compensation Premium for the half-year ended June 30 and the .3% payroll tax for the quarter ended June 30.)

### **To record the premium and tax payment in the next fiscal year:**

Debit: 661	Salaries and Benefits Payable	\$2030.74
Credit: 620 or 101	Warrants Payable or Cash	\$2030.74

(To record payment for Workers' Compensation premiums for the half-year ended June 30 and payroll taxes for the quarter ended June 30. This entry reverses the liability recorded at fiscal year-end. If the actual premium paid differs slightly from the amount accrued, charge the difference to current expenditures in the year paid. See 5-0340.00, "RECORDING DIFFERENCES BETWEEN ACCRUAL AND PAYMENT AMOUNTS.")

## **5-1730.00      MONTANA SCHOOLS GROUP WORKERS' COMPENSATION PROGRAM**

Districts which use this plan prepay quarterly premiums based on estimates and adjust for the actual premium when paying the next quarter's premium. For example, if the prepayment for April-June was \$2000 and the actual premium for April-June should have been \$2100, the amount to be prepaid for July-September will be \$2100. The July payment to the system would be \$2200 (\$100 owed from last quarter plus \$2100 estimated July-September premium) and would be recorded **at fiscal year-end:**

Debit: 802	Expenditures	\$ 100
Credit: 661	Accrued Salaries and Benefits	\$ 100
Expenditures Subsidiary Ledger		
XXX-XXX-XXXX-250	Workers' Compensation	\$ 100

### **When prepaying premiums for July-September:**

Debit: 661	Accrued Salaries and Benefits	\$ 100
Debit: 802	Expenditures	\$2100
Credit: 620 or 101	Warrants Payable or Cash	\$2200

If the prepayment for April-June was more than the actual premium, the amount overpaid will be subtracted from the prepayment for July-September. The difference, if immaterial, may be ignored. The prepayment in July will be charged to expenditures for the amount of estimated premium less the previous overpayment. For example, if the April-June prepayment was \$2000 and the actual premium was \$1980, at fiscal year-end, no entry is needed.

### **When paying the July-September payment in July:**

Debit: 802	Expenditures	\$1900
Credit: 620 or 101	Cash	\$1900
Expenditures Subsidiary Ledger		
XXX-XXX-XXXX-250	Workers' Compensation	\$1900

If the overpayment is material, the overpayment should be recorded as a prepaid expense at fiscal year-end. See 5-0700.00, "PREPAID EXPENSES."

## **5-1700.00      EMPLOYEE-RELATED PROCEDURES**

### **5-1700.10      DEFINITIONS**

**"Employee"** is an individual who performs services subject to the will and control of an employer, as to both what must be done and how it must be done. Employers are required to provide workers' compensation to employees.

**"Independent Contractor"** is an individual who performs a service that is offered by that individual to the general public in an independent trade, business, or profession. The contractor usually decides what is to be done and how it is done. An independent contractor must provide the school district with a Certificate of Insurance proving they have workers' compensation insurance covering themselves and their employees otherwise the school district may be liable.

### **5-1710.00      PAYROLL**

#### **5-1710.10      CERTIFIED STAFF**

Teachers, specialists, principals, and superintendents hold teacher or administrative certificates. As a result, they are known as "certified staff." They must register their certificates with the county superintendent within 60 calendar days of employment and continue to register renewed certificates every five years. After 60 calendar days from the first day of employment or 60 days after the first day of school each year (20-4-202, MCA) the school district may not pay a certified staff member until the county superintendent notifies the school district a valid certificate has been registered.

Certified staff must be employed by contract (20-4-201, MCA). Salary and other rates of pay are set by the board or negotiated through collective bargaining. Certified staff may be paid salaries in 9,10, or 12 monthly installments depending upon board policy or collective bargaining agreements. Certified staff may also have supplemental contracts for additional duties such as, extracurricular activities, summer time curriculum development, etc. Other forms of compensation, such as housing or other allowances should be included in the contract. They are taxable income, the value is to be included on the employee's W-2 form, if they are not a requirement of employment.

The school district is authorized to withhold pay from any teacher who does not follow state law, board policy, or use the course of instruction prescribed by the trustees (20-4-301, MCA).

According to the OPI State and Federal Grants Handbook, all non-teaching employees, substitute teachers and teachers who receive their wages or salaries from Federal projects must use some form of time records.

#### **5-1710.20      NON-CERTIFIED/CLASSIFIED STAFF**

Employees who do not hold teaching or administrative certificates are known as "non-certified staff." They are also referred to as "classified staff" because they are classified by work duties such as custodians, secretaries, aides, bus drivers, and cooks. Classified staff is usually paid on an hourly basis and fall under the Montana and Federal Labor Standards Act. Regardless of whether a non-certified employee is paid on a salary or hourly basis, classified staff must complete and submit time records to the employer to comply with the state and federal minimum wage acts and the OPI State and Federal Grants Handbook. Some form of time records must be kept by any employees who receive their wages or salaries from federal projects. See

## **5-1710.20 NON-CERTIFIED/CLASSIFIED STAFF (cont'd)**

Recording Keeping (5-1770.00) for more information. The requirements for time records, minimum wage, and overtime pay can be found in 39-3-401 through 39-3-409, MCA, or by calling the Department of Labor and Industry at 406-444-5600 or by writing to P.O. Box 6518, Helena, MT 59604. Salary and hourly rates are set by the board or negotiated through collective bargaining.

## **5-1710.30 PAYROLL – HOW PAID**

The chairman of the board and the clerk must countersign payroll warrants. The use of facsimile signatures is also permitted, providing the conditions set out in 2-16-114 and 20-9-221(2), MCA, are followed. Trustees may issue warrants for wages and salaries on a direct deposit basis to the employee's account in a local bank, with the approval of the employee. The employee must be given an itemized statement of payroll deductions for each pay period (20-9-221(4), MCA).

See Section 39-3-205, MCA, for special procedures concerning final paychecks. Section 39-3-206, MCA, provides penalties against the employer for failure to pay wages timely.

## **5-1710.40 ALLOCATING PAYROLL COSTS BETWEEN DISTRICTS AND FUNDS**

Administrative Rule 10.10.303 provides the following guidelines for school districts to allocate costs between districts and funds.

### **10.10.303, ARM, COST ALLOCATIONS BETWEEN DISTRICTS**

- (1) In the event certain shared costs, such as administrative costs, curriculum coordinator salaries, school psychologist salaries, etc., cannot reasonably be identified directly to either the elementary district or the high school district or between funds within a district, the school district administration shall prepare a cost allocation plan for approval by the board of trustees prior to adoption of the final budget. The cost allocation plan should reasonably distribute such costs between districts and funds within a district, consistently from year to year. Shared costs shall be budgeted and accounted for in accordance with the cost allocation plan approved by the board of trustees.
- (2) The following allocation bases shall be used to allocate shared costs:
  - (a) ANB or enrollment per district;
  - (b) Full time equivalent (FTE) staff per district;
  - (c) FTE teaching staff per district;
  - (d) Floor space occupied or space occupied over time per district;
  - (e) Miles driven, student miles driven, driver hours per district;
  - (f) Students served per district;
  - (g) Taxable valuation per district; or
  - (h) Time spent providing services.
- (3) As provided by 20-6-506, MCA, the cost of operating the junior high school must be prorated between the elementary district and the high school district on the basis of the ratio that the number of pupils of their district is to the total enrollment of the junior high school.
- (4) As provided by 20-4-401, MCA, whenever a joint board of trustees employs a person as the district superintendent under (2) and (3), the districts shall prorate the compensation provided by the contract of employment on the basis of the number of teachers employed by each district. (History: Sec. 20-9-102, 20-9-201, MCA; IMP, Sec. 20-9-102, 20-9-103, 20-9-201, MCA; NEW, 1990 MAR p. 717, Eff. 4/13/90; AMD, 1998 MAR p. 1719, Eff. 6/26/98.)

## **5-1720.00 WITHHOLDINGS AND DEDUCTIONS**

### **5-1720.10 FICA, MEDICARE, FEDERAL AND STATE INCOME WITHHOLDING**

All compensation paid, regardless of whether it is paid based upon salary or hourly wages or to temporary or permanent employees, is subject to Social Security (FICA), Medicare, and federal and state income tax withholding. Amounts paid which are supplemental to an employee's contract, such as extracurricular activities are also subject to income tax withholding. Other forms of compensation, such as housing or other allowances may be taxable income. The value is to be included on the employee's W-2 form, if they are not a requirement of employment. Withholding for retirement contributions is mandatory for permanent full-time and part-time employees. Temporary employees who do not meet membership criteria are not subject to withholding for retirement. Employee contributions to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS) and tax-sheltered annuity contracts are not subject to federal and state income tax withholding. However, contributions to tax-sheltered annuity contracts are subject to retirement contributions.

You do not have to withhold federal income tax from amounts you pay an independent contractor. But, if you pay an independent contractor \$600 or more during the calendar year, you must file a Form 1099-MISC, Statement for Recipients of Miscellaneous Income.

FICA, Medicare, and federal income taxes must be deposited timely in accordance with the rules found in Circular E, The Employers Tax Guide. Larger school districts are required to deposit these taxes within three days after a payday. Similarly state income tax, retirement and unemployment taxes must be reported and deposited timely. Failure to deposit employee and employer contributions timely can result in substantial penalties. Be sure to obtain and review all reporting instructions and deposit requirements from all federal and state agencies related to payroll withholding. To obtain copies of instructions to complete state withholding reports and deposit requirements, contact the Department of Revenue at 1-800-550-1513 or 406-444-0269.

### **5-1720.20 RETIREMENT CONTRIBUTIONS**

School districts participate in two retirement systems. The first is the Teachers' Retirement System (TRS) and the second is the Public Employees' Retirement System (PERS). Withholding for retirement contributions is mandatory for permanent full-time and part-time employees. Temporary employees who do not meet membership criteria are not subject to withholding for retirement. Employee contributions to the Teachers' Retirement System (TRS), the Public Employees' Retirement System (PERS) and tax-sheltered annuity contracts are not subject to federal and state income tax withholdings. However, contributions to tax-sheltered annuity contracts are subject to retirement contributions

#### **TRS**

Any teacher, specialist, principal, or district superintendent is required to be a member of the Montana Teachers' Retirement System. The requirement applies to certified and non-certified teachers, school nurses, and temporary, part-time or substitute teachers who are employed 30 days or more (not necessarily consecutive) in one school year (19-20-302, MCA). Check with TRS for rules regarding working retirees. TRS requires monthly reporting of name, social security number, monthly salary paid, contributions, and full-time equivalency (FTE). Contact TRS at 406-444-3134 for copies of instructions to submit monthly reports and deposit contributions.

## **5-1720.20 RETIREMENT CONTRIBUTIONS (cont'd)**

### **PERS**

Any permanent non-certified employee of a participating school district becomes a member of the Public Employees' Retirement System on the first day of employment (19-3-401, MCA). The following may not become members: elected officials, independent contractors, employees not working more than 120 days in any fiscal year, persons over 60 years of age, students, or others set forth in the law (19-3-403, MCA). PERS requires monthly reporting of name, social security number, earnings, contributions, and hours. Contact PERS at 406-444-3154 for copies of instructions to submit monthly reports and deposit contributions.

## **5-1720.30 403(b) TAX DEFERRED RETIREMENT PLANS**

The Association of School Business Officials International (ASBO) released a guide in 1999 concerning 403(b) Tax Deferred Retirement Plans for School Organizations. For a copy of the guide, contact ASBO at 11401 North Shore Drive, Reston, VA 20190-4200, telephone 703-478-0405, or see the following website: <http://www.asbointl.org>.

## **5-1730.00 OTHER EMPLOYER PAYMENTS**

### **5-1730.10 STATE UNEMPLOYMENT TAX**

School districts are only required to pay state unemployment contributions and do not have to pay federal unemployment. School districts must participate in the State of Montana Unemployment Program or the Montana Schools Unemployment Insurance Program administered by the Montana School Services Foundation (MSSF). There are also no salary limitations used when unemployment contributions are calculated. Total payroll includes all wages paid to all employees. Some types of wages, including salaries paid to elected public officials, are exempt from the reporting requirement.

To obtain copies of instructions to complete reports and deposit requirements, contact the Department of Revenue at 1-800-550-1513 or 406-444-0269 or MSSF at 1-800-845-SAVE or 406-442-0275.

## **5-1730.20 WORKERS' COMPENSATION INSURANCE**

School districts may obtain workers' compensation coverage from the State of Montana Division of Workers' Compensation also known as the "Montana State Fund", private carriers, or be self-insured. The two most popular providers are the Montana State Fund and a private carrier established by school district officials called the Workers' Compensation Risk Retention Program (WCRRP). WCRRP is administered by the Montana School Services Foundation. Each provider bills premiums quarterly or semi-annually based upon premium rates in two categories multiplied by the amount of payroll for that category. Premiums are also adjusted for high or low claim experience and volume discounts.

Employers are required to provide coverage for all district employees, including full-time, part-time, seasonal, or occasional employees. Volunteers may be covered at the option of the district. The only exception for school districts is that an official, timer, referee or judge at a school amateur athletic event does not require coverage, unless the person is otherwise employed by a school district (39-71-401(2)(j), MCA).

To obtain copies of instructions to complete reports and deposit requirements, contact the Division of Workers' Compensation at 1-800-332-6102 or 406-444-6500 or WCRRP at 1-800-845-SAVE or 406-442-0275.

## **5-1730.30 GROUP INSURANCE PREMIUMS**

To establish group insurance, a two-thirds vote of all the employees of the school district is required (2-18-702, MCA). The employer's premium contributions may exceed, but shall not be less than, \$10.00 per month (2-18-703(3), MCA).

## **5-1730.40 COBRA/EMPLOYEE PAID PREMIUMS AFTER TERMINATION**

Section 2-18-704, MCA, allows retiring staff members to continue with the school district's health insurance plan providing the employee pays the health insurance premium.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) an employee or the spouse or child of an employee, may elect to continue coverage between 18 and 36 months in the school district's health insurance plan under certain circumstances. The employee, spouse, or child must pay the health insurance premiums. Contact OPI for more information.

COBRA or retired employee paid premiums are accounted for using Fund 89 Retirement/COBRA Insurance Fund.

## **5-1740.00 HOLIDAYS, VACATION, SICK, AND PARENTAL LEAVE**

### **5-1740.10 HOLIDAYS**

School holidays are listed in Section 20-1-305, MCA. These holidays are different than the holidays for state or other local governments.

### **5-1740.20 CERTIFIED STAFF – VACATION AND SICK LEAVE BENEFITS**

Section 2-18-601, MCA, specifically excludes schoolteachers from the vacation and sick leave statutes. This is probably because most school districts only operate during a 187-day school year rather than a conventional 260-day work year. Collective bargaining agreements frequently provide a small number of personal leave days a year and sick leave benefits similar to the classified staff.

School district superintendents may or may not be subject to Section 2-18-601, MCA. In *Bitney vs. School District No.44*, the court found the superintendent was entitled to the benefits provided to classified staff in 2-18-611 and 2-18-618, MCA. A similar decision was made by the Commissioner of Labor in *Walsh vs. Plentywood School District No. 20*.

### **5-1740.30 CLASSIFIED STAFF VACATION LEAVE**

Permanent non-teaching employees are entitled to vacation leave, with pay, after they have been continuously employed for six months (2-18-611, MCA). Vacation leave is earned, however, from the first full pay period. The rates of earned vacation leave vary with the period of service, as follows: (2-18-612, MCA)

- a. First ten years of employment, at the rate of 15 working days per year;
- b. Ten to fifteen years of employment, at the rate of 18 working days per year;
- c. Fifteen to twenty years of employment, at the rate of 21 working days per year;
- d. After twenty years of employment, at the rate of 24 working days per year.



## **5-1740.30 CLASSIFIED STAFF VACATION LEAVE (cont'd)**

In determining years of employment, each entity must include employment with other entities that qualify (Attorney General Opinion 4, Volume 33).

Annual vacation leave may be accumulated to a total not to exceed two times the maximum number of days earned annually as of the end of the first pay period of the next calendar year. Excess vacation leave is not forfeited if taken within 90 calendar days from the last day of the calendar year in which the excess was accrued (2-18-617, MCA). The trustees may also pay employees for unused vacation in lieu of accumulation either through provisions in a collective bargaining agreement or by board policy.

Upon termination, in most cases an employee is entitled to cash compensation for unused vacation leave (2-18-617, MCA) including the district superintendent.

Permanent part-time employees are entitled to prorated vacation benefits if they have worked the qualifying period (2-18-611, MCA). Multiply the total number hours paid (regular, holiday, vacation, and sick leave hours) excluding overtime hours by one of the following appropriate rates:

15 days X 8 hr = 120 hrs / 2080 hrs = .058	X Hours Paid
18 days x 8 hr = 144 hrs / 2080 hrs = .069	X Hours Paid
21 days x 8 hr = 168 hrs / 2080 hrs = .081	X Hours Paid
24 days x 8 hr = 192 hrs / 2080 hrs = .092	X Hours Paid

The benefits found in Sections 2-18-611 and 2-18-618, MCA, are the minimum and maximum vacation and sick leave benefits and may not be changed through collective bargaining as set forth in Attorney General Opinion 20, Volume 38.

## **5-1740.40 CLASSIFIED STAFF SICK LEAVE**

Each permanent, full-time, non-teaching employee is entitled to sick leave, with pay, after they have been continuously employed for ninety days. Sick leave is earned, however, from the first full pay period. Sick leave is earned at the rate of twelve days a year. There is no restriction as to the maximum number of days of sick leave that can be accumulated (2-18-617, MCA).

Permanent, part-time, non-teaching employees are entitled to prorated sick leave benefits if they have worked the qualifying period (2-18-617, MCA). Multiply the total number hours paid (regular, holiday, vacation, and sick leave hours) excluding overtime hours by the following rate:

12 days X 8 hr = 96 hrs / 2080 hrs = .046	X Hours Paid
---	--------------

Upon termination, an employee is entitled to cash compensation for 1/4 of his sick leave accumulation, computed on the basis of his salary at the time of termination. Cash compensation should only be allowed for sick leave earned since July 1, 1971 (2-18-617, MCA).

The benefits found in Sections 2-18-611 and 2-18-618, MCA, are the minimum and maximum vacation and sick leave benefits and may not be changed through collective bargaining as set forth in Attorney General Opinion 20, Volume 38.

## **5-1740 .50     PARENTAL LEAVE**

According to the federal Family and Medical Leave Act, school districts must develop a parental leave policy. School districts may contact OPI for a copy of the state Parental Leave Policy (2-18-606, MCA).

## **5-1750.00     TRAVEL AND PER DIEM**

The board of trustees should establish a policy regarding travel and reimbursement rates for meals and lodging. Section 2-18-503, MCA, provides the school district must reimburse employees the mileage rate allowed by the Internal Revenue Service when a private car is used on official school district business. School districts may make travel advances to employees required to travel. There should, however, always be a subsequent accounting by the employees upon completion of the trip.

According to the Federal Circular A-87 Allowable Costs for Federal Grants, separate per diem and lodging rates cannot be established for federal funds and state or local funds. Federal programs must be charged the same rates as state and local funds.

## **5-1760.00     NOTICES/POSTERS**

All employers are required to post the following federal law labor notices in the workplace. These notices can be acquired from the various federal agencies or purchased from various vendors who combine all five notices on to one poster:

- Equal Employment Opportunity Employer
- Federal Minimum Wage Rate
- OSHA – Job Safety and Health Protection Notice
- Employee Rights under the Family and Medical Leave Act of 1993
- Employee Polygraph Protection Act

Some “all in one posters” show Job Safety and Health Notice for private employers. To obtain a poster for public employers, contact the Montana Department of Labor and Industry at 406-444-5600.

State law also requires all employers post notice employees are covered by workers’ compensation insurance.

## **5-1770.00     RECORDKEEPING**

### **5-1770.10     TIME RECORDS – CERTIFIED STAFF**

According to the OPI State and Federal Grants Handbook, all non-teaching employees, substitute teachers, and teachers who receive their wages or salaries from Federal projects must use some form of time records. Please refer to the Grants Handbook for a sample time record. There are no laws or regulations requiring certified staff paid from non-federal funds to complete time records. However, the trustees may require time records through board policy. At minimum, most school districts establish policies for certified staff to report absences.

## **5-1770.20      TIME RECORDS—CLASSIFIED STAFF**

The Montana and Federal Minimum Wage Act require each classified employee to submit a signed time record each payroll period showing the hours worked each day and the hours of vacation or sick leave taken each day. This time record should be approved by the employee's supervisor and then used to post the leave records. The school district should maintain leave records for all qualified employees showing vacation and sick leave earned, used, and the balance remaining. The requirements for time records, minimum wage, and overtime pay can be found in 39-3-401 through 39-3-409, MCA, or by calling the Department of Labor and Industry at 406-444-5600 or by writing to P.O. Box 6518, Helena, MT 59604.

## **5-1770.30      MONTHLY PAYROLL RECAP**

In order to effectively control payroll, school districts should prepare a monthly payroll recap or worksheet, which shows gross payroll, deductions, and net payroll. The monthly recaps should be then used to double check monthly, quarterly, or annual reports filed with the various agencies related to payroll. The recap should be prepared by hand or using an electronic worksheet rather than a computer generated report. The idea is to check that the amounts from the computer or on the particular payroll report are correct.

## **5-1770.40      MONTHLY TICKLER FILE**

Another control device used by some school districts is a monthly tickler file. At the beginning of the school year, various time sensitive items (such as, which month a particular extracurricular contract will be paid separately, when union dues deductions begin and end, reminders about when rate changes take effect i.e. FICA usually changes Jan 1<sup>st</sup>, etc.) are organized and placed in the proper month of the tickler file. This file is also used during the month to control and organize corrections from the past month, time sheets, employee absences, new employee forms, etc. to process the current month's payroll.

## **5-1770.50      PAYROLL MANUAL/NOTEBOOK**

Districts should consider keeping a **PAYROLL MANUAL/NOTEBOOK** separated by the following divider sections and containing the following information:

### Payroll Policies

- Drug Free Workplace Policy
- Hatch Act/Political Activity Policy for Federal Funded Employees
- Workplace Violence Policy
- Workplace Safety Policy
- Sexual Harassment Policy
- Parental Leave Policy
- Ethics/Standard of Conduct /Purchasing/Nepotism Policies
- Vacation and Sick Leave Policies
- School District Travel Policies

### I-9 Instructions, Reports and Regulations

### FICA and Federal Withholding Reports and Regulations

- Circular E
- Instructions to complete W-4's
- Instructions to complete W-2's

## **5-1770.50      PAYROLL MANUAL/NOTEBOOK (cont'd)**

- Montana State Withholding Guide
- Montana State Unemployment Tax Report and Regulations
- Teachers' Retirement Report and Regulations
- Public Employees Retirement Report and Regulations
- Tax Sheltered Annuities 403(b) Regulations
- Workers' Compensation Report and Regulations
- Collective Bargaining Agreements
- Cafeteria Plan Agreements
- Montana and Federal Fair Labor Standards Regulations
- Miscellaneous
  - New Employee Checklist
  - Time Sheet Example
  - Vacation and Sick Leave Laws and Regulations
  - School District Travel and Purchasing Policies

This notebook should serve as an operational guide and not be used to file monthly, quarterly, or annual reports. Additional topics should be added or obsolete topics deleted as necessary.

## **5-1780.00      SAMPLE FORMS**

Following pages contain sample forms.

**5-1780.10 DECEDENT'S DESIGNATION TO RECEIVE WARRANTS**

School District Name: _____		<b>DESIGNATION OF PERSON AUTHORIZED TO RECEIVE DECEDENT'S WARRANTS</b>				
<u>INSTRUCTIONS TO EMPLOYEES</u> 1. Complete this form in duplicate (typewritten or in ink). 2. Show the designee's full name; for example, "Mary Jane Smith", not Mrs. John E. Smith. 3. Show designee's Social Security number and date of birth. 4. Erasures or corrections may not be made in the writing of designees' name. If an error has been made, complete a new set of forms. 5. Sign both copies in ink. Submit both copies to your personnel office or payroll clerk. The duplicate copy will be returned to you for your record or for you to give to the designee. 6. You may change your designation at any time by filing a new designation with your personnel office or payroll clerk. 7. You may completely revoke a designation at any time by a letter to your employer signed by you (submit in duplicate). 8. Inform your personnel office or payroll clerk when a change occurs in your designee's address.		<u>INSTRUCTIONS TO SUPERVISORS</u> 1. Review the prepared form to ensure that the employee has completed it properly. 2. Advise the employee that this form is a legally binding document. 3. Have your employees periodically review their designation.				
EMPLOYEE'S NAME	_____ (FIRST) (MIDDLE) (LAST)		SOCIAL SECURITY NUMBER			
<b>D E S I G N E E</b>	<i>Pursuant to Section 2-18-412, MCA, I hereby designate the following person who notwithstanding any other provision of law, shall be entitled upon my death to receive all warrants, excluding warrants for payment of death benefits and refund of employee retirement contributions, that would have been payable to me as a result of my employment with the school district/coop had I survived:</i>					
	(FIRST) (MIDDLE) (LAST)		SOCIAL SECURITY NUMBER			
	DOB					
	DESIGNEE'S ADDRESS		CITY, STATE, & ZIP CODE			
<b>S T I P U L A T I O N</b>	<i>I hereby revoke any previous designation filed by me.</i>					
	<i>If the above-named designee cannot be contacted within sixty (60) days after the date of my death, this designation shall be void.</i>					
	<i>This designation will remain in full force and effect during my employment with the school district/coop identified below until revoked in writing by me. This designation will automatically terminate on the date final payment is received as the result of said employment.</i>					
NAME OF BOARD FOR WHICH YOU ARE EMPLOYED						
<b>E M P L O Y E E</b>			<b>A G E N C Y</b>    <b>U S E</b>	REVIEWED BY AND DATE		
	SIGNATURE			DATE		
	ADDRESS					
					DESIGNATION	DATE
	CITY STATE ZIP				Revoked	
	Form P-3 (Revised 12-95)				Auto canceled	

DATE DECEASED \_\_\_\_\_ CERTIFYING OFFICER \_\_\_\_\_  
 February 2000 Accounting Policies and Procedures 5-1700-10